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Livestock and Products

Annual

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Report Highlights:
Ukraine's domestic production and consumption of beef and beef products will decrease in 2005. For the second consecutive year, Ukrainian beef exports to Russia will decrease. Despite some stabilization in the swine industry in 2005, Ukraine will continue to be a net importer of pork, both for domestic consumption and for re-export to Russia. U.S. pork suppliers will experience export expansion, but this trend may be short lived due to the high level of investment being funneled into the Ukrainian hog industry.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Kiev [UP1]
[UP]

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Executive Summary

Production of beef in 2005 will continue to decline due to low beef enterprise efficiency and the negative affects associated with severe weather during the 2003/2004 crop season. Conversely, pork production is expected to increase slightly. Production growth is being generated by an influx of investment into efficient hog operations and as a response to increasing domestic pork prices. Ukraine's exports of beef to Russia will decline significantly, though Ukraine will continue to benefit as a transshipment point for Polish and U.S. pork to Russia. Imports of pork are expected to remain at relatively high levels, while imports of beef will continue to be insignificant due to technical barriers to trade in red meats and a recent shift in consumer preference towards poultry.

Section I. Narrative

Production

The number of cattle in Ukraine, as well as beef production, was negatively impacted by the 2003/2004 crop crises (See GAIN Report # UP4002 for details). Due to the relatively long production cycle in the cattle industry, a recovery in 2005 is not expected even if domestic prices remain high. The Ukrainian cattle herd is comprised mainly of dairy breeds with a very small share of dual-purpose animals and meat breeds. Over the past decade, large industrial farms (former collective farms) have shifted operations away from less profitable cattle enterprises towards crop production. Concomitantly, private households continued to increase their cattle inventory. In 2004, the industrial/private farm ratio reached 40:60, respectively. The household sector's share is likely to increase by another 5% in 2005. Both types of farms are oriented toward milk production and often view beef as a byproduct of their milk operation. The share of cows within the overall cattle inventory in 2005 will fluctuate between 53-55% (dramatic increase from 34% in 1991),

The most significant drop in beef production took place in the least efficient sector, the Ukrainian cattle breeding industry – the large industrial farms (See Statistical Tables in Section II). Cattle inventories in the household sector decreased moderately, while the number of cows remained stable. A typical Ukrainian household dairy operation is comprised of 2 to 3 cows and is viewed by many people as their "safety net" and continues to be the main cash-generating activity in rural areas. Thus, the number of cattle in household dairy operations remains very stable. In 2005, cattle inventories will continue to decrease in regions where beef production is less efficient (central and southern Ukraine) and somewhat stabilize in more efficient regions (northern and western Ukraine, the major procurement area for big dairy processing plants).

The government of Ukraine (GOU) support programs that target the cattle sector have proven to be inefficient despite a significant increase in funding in 2004 (See GAIN Report # UP 4007). In 2005, GOU will attempt to increase support programs for the more efficient cattle enterprises, but the impact these programs are expected to have on production is not likely to be significant. The GOU launched an expensive cattle identification program in early 2004. The identification system is supposed to serve as a tool for veterinary controls and function as a more transparent and efficient support system in the future.

Due to severe feed shortages in early 2004, the calf crop estimate was revised. Based on 5 months of official Ukrainian statistics, the calving rate decreased from 96% to 78%. The drop in the number of calves is twice as large as the drop in the number of total cattle.

Production of pork decreased drastically in 2004. It will remain at a relatively low level in 2005 despite significant industry investments. Heavily dependant on expensive feed grains, industrial hog operations decreased the number of pigs by 33%, while private households only experience a 17% decrease. The swine population is forecasted to grow in late 2004 as cheaper feeds become accessible. This trend is expected to persist throughout 2005, but it is expected to take more than a year before Ukraine's swine inventory equals the 2003 level. In 2005, the Ukrainian swine industry will grow moderately, following a similar pattern to the one experienced in 2003.

The average slaughter weight per hog is expected to decline in 2005 as compared to 2004. This trend will parallel the expected drop in feed prices. Grain handling and the domestic marketing system in Ukraine is still inefficient. The bumper crop of 2004 is expected to drive farm gate feed grain prices below the world market price.

The share of pigs in household operations increased from 66% in 2003 to 70% in 2004, but this trend is likely to change in 2005, or early 2006, because of changes in industrial hog operations. Big Danish, Polish and Ukrainian investments in Soviet era industrial hog enterprises, with an average capacity of 40,000 hogs, are expected to significantly change production patterns. These modern industrial farms usually import pigs for purebred nucleuses and use modern western feeding technologies.

FAS Kiev incorporated official Ukrainian data for 2003 calf and piglet output, losses and ending inventories, beef and pork production, trade in live animals, red meats and products, into the appropriate PSDs. Beef and pork trade estimates are provided on a Carcass Weight Equivalent (CWE) basis, while trade matrices contain data on a Product Weight Equivalent (PWE) basis.

Consumption

There have been significant changes in consumption patterns in Ukraine in 2004. From 1998-2003, Ukrainian consumers slowly reduced consumption of beef and increased consumption of pork and poultry. Domestic retail pork prices have been declining for the past 4 years contributing to the consumption increase. Another reason for growing pork consumption is consumers' preference for the "more-tender" pork as compared to the "less-tender" beef from dairy cows.

In 2004, consumers faced sharp price increases for all red meats and moderate price increases for poultry meat. Beef consumption decreased by 12% (approximately the same rate as in 2003), pork consumption decreased by 24% (reversing the 2003 trend) and poultry consumption increased by almost 80%. The increase in poultry consumption resulted in an increase in poultry imports of 250%, as the domestic industry was unable to increase output to meet excess demand.

The significant shift in consumers' preferences is directly correlated to high red meat prices caused by domestic supplies that have plummeted. Technical barriers to trade and the BSE outbreak in the United States prevented Ukraine from purchasing products in the world market to replenish supplies. In the late 1990's, Ukrainian per capita consumption of pork was two and a half times greater than in the United States, with poultry as a rather insignificant share of the daily diet. It is not clear whether the drastic change of consumers' preferences in 2004 will continue in the future. For example, international trade liberalization could result in decreases in the price and the increase in consumption of red meats. At the same time, it is clear that in 2005 Ukrainian producers will be unable to supply the same level of red meat as in 2004, due to lengthy domestic industry production cycles (especially in the beef industry). Thus, forecasts reveal that reduced consumption of red meats and increased poultry consumption are expected to continue in 2005.

Trade

Imports of live cattle and beef to Ukraine in 2004 are significantly lower than anticipated. The appropriate estimates are reduced in the PSD tables. Despite falling domestic production and increased prices, the Ukrainian market for cattle remains closed for potential U.S. exporters. Even before the BSE case was confirmed in the United States, the Ukrainian State Veterinary Service refused imports of U.S. beef due to hormone usage. Exports of Ukrainian live cattle to markets in the Middle East remain insignificant and are restricted by export duties (See Section II tables for details).

Imports of pork are expected to triple in 2004, but will probably level off in 2005 due to stabilization of domestic production. For the first time in many years, U.S. pork penetrated the Ukrainian market and captured a significant 30 percent market share. This trend occurred despite resistance from the Ukrainian Veterinary Authority and the lack of a negotiated bilateral health certificate. It is likely that smuggled shipments of pork recently spotted in the Ukrainian market are of U.S. or Polish origin.

Almost one third of all pork imported into Ukraine ended up in Russian. Ukrainian companies have become involved in the pork re-export market after Russia introduced country specific quotas for meat. In some cases, imported U.S. or Polish pork is substituted for Ukrainian pork in the domestic market, while Ukrainian pork is exported. In many other instances, Polish and U.S. pork are repackaged and relabeled in Ukraine for sale to Russia. Russian competent authorities have complained about these developments, but no action has been taken by the GOU thus far. Trade flows of pork and products in 2005 are likely to mirror the trends of 2004.

The structure of trade in red meats is not expected to change much in 2005. Russia will continue to be the major export market, but Ukraine's share will most definitely decline quickly. Prior to 2004, Ukraine was supplying increasing amounts of beef to the Russian market due to the high level of animal slaughter. These exports were a result of the low profitability of the domestic livestock enterprises and an insufficient increase in domestic production. A consistent decrease in cattle inventories eventually resulted in the Ukraine not being able to meet Russian demand. 2005 will be the second year Ukrainian exports of red meat will decline (excluding re-export).

Stocks

There continues to be no readily available information on beef and pork stocks held by the State Reserve Authority. Post's ending inventories for beef and pork remain unchanged. The GOU maintains an emergency strategic reserve of beef and pork. This reserve is not used for market interventions or price support.

Section II. Statistical Tables

Livestock Inventories by Type of Farm in Ukraine as of June 1, 2004 (1000 heads)

	As of June 1st, 2003	As of June 1st, 2004	2003 as % of 2002
Cattle, total	9372,9	8049,6	85,9%
Including cows	4665,6	4267,3	91,5%
Cattle, held by Private Households	5343,6	4903,5	91,8%
Including Cows	3385,1	3212,5	94,9%
Cattle held by Former Collective Farms	4029,3	3146,1	78,1%
Including Cows	1280,5	1054,8	82,4%
Bovine, total	9066	6993,2	77,1%
Bovine held by Private Households	5976,2	4922,7	82,4%
Bovine held by Former Collective Farms	3089,8	2070,5	67,0%

Data Source: State Statistics Committee of Ukraine

Ukraine Cattle PSD Table, 1000 Head

Country Ukraine
Commodity Animal Numbers, Cattle

	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01.2003		01.2004		01.2005
Total Cattle Beg. Stks	9108	9108	7886	7886	7260	6780
Dairy Cows Beg. Stks	4700	4700	4330	4330	0	3940
Beef Cows Beg. Stocks	60	60	53	51	0	46
Production (Calf Crop)	4480	3530	4160	3050	0	2955
Intra EC Imports	0	0	0	0	0	0
Total Imports	3	3	4	1	0	2
TOTAL Imports	3	3	4	1	0	2
TOTAL SUPPLY	13591	12641	12050	10937	7260	9737
Intra EC Exports	0	0	0	0	0	0
Total Exports	18	18	10	6	0	5
TOTAL Exports	18	18	10	6	0	5
Cow Slaughter	0	0	0	0	0	0
Calf Slaughter	0	0	0	0	0	0
Other Slaughter	5515	4565	4650	4021	0	3400
Total Slaughter	5515	4565	4650	4021	0	3400
Loss	172	172	130	130	0	120
Ending Inventories	7886	7886	7260	6780	0	6212
TOTAL DISTRIBUTION	13591	12641	12050	10937	0	9737
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Ukraine Beef and Veal PSD Table, 1000 MT CWE, 1000 Head

Country Ukraine
Commodity Meat, Beef and Veal

	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01.2003		01.2004		01.2005
Slaughter (Reference)	5515	4565	4650	4021	0	3400
Beginning Stocks	15	15	15	15	15	15
Production	775	611	665	530	0	500
Intra EC Imports	0	0	0	0	0	0
Total Imports	0	2	5	2	0	1
TOTAL Imports	0	2	5	2	0	1
TOTAL SUPPLY	790	628	685	546	15	516
Intra EC Exports	0	0	0	0	0	0
Total Exports	172	168	140	100	0	90
TOTAL Exports	172	168	140	100	0	90
Human Dom. Consumption	603	445	530	432	0	411
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	603	445	530	432	0	411
Ending Stocks	15	15	15	15	0	15
TOTAL DISTRIBUTION	790	628	685	546	0	516
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Ukraine Cattle Export Trade Matrix

Country	2002	2003	Jan-Apr. 2003	Jan.-Apr. 2004
Georgia	25	24	14	0
Kazakhstan		7	0	0
Jordan	10253	5689	3007	0
Lebanon		10163	4594	1683
Syria		2098	0	0
Egypt			0	0
Libya			0	720
Uzbekistan	215		0	0
Total	**10493**	**17981**	**7615**	**2403**

Data Source: State Statistics Committee of Ukraine

Fresh or Chilled Beef Export Trade Matrix (HS 0201), MT

Exports to	**2002**	**2003**	**Jan-Apr. 2003**	**Jan.-Apr. 2004**
United States	0	0	0	0
Lebanon	0	0	0	1
Russian Federation	595	193	66	0
Turkey	1	0	0	0
Bulgaria	0	11	11	0
Others	0	0	0	0
Total	596	204	77	1

Data Source: State Statistics Committee of Ukraine

Frozen Beef Export Trade Matrix (HS 0202), MT

Exports to	2002	2003	Jan-Apr. 2003	Jan.-Apr. 2004
Russia	130558	145703	34479	20492
Lebanon	0	0	0	8,808
Azerbaijan	18	211	152	0
Latvia	0	20	0	0
Byelarus	0	18	0	0
Macedonia	54	0	0	0
Others	29	0	0	0
Total	130659	145951	34631	20501

Data Source: State Statistics Committee of Ukraine

Processed Beef Export Trade Matrix (HS 16025), MT

Exports to	2002	2003	Jan-Apr. 2003	Jan.-Apr. 2004
United States	1	1	1	3
Russia	901	1158	429	355
Turkmenistan	0	234	0	117
Azerbaijan	236	150	0	15
Georgia	0	15	0	15
Moldova	0	15	10	12
Liberia	0	0	0	3
Tajikistan	50	4	4	0
Kuwait	0	3	3	0
Others	0	134	0	0
Total	1188	1714	446	520

Data Source: State Statistics Committee of Ukraine

There were no imports of Fresh or Chilled Beef (HS 0201) to Ukraine in 2003 and 2004

Frozen Beef Import Trade Matrix (HS 0202), MT

Exports to	2002	2003	Jan-Apr. 2003	Jan.-Apr. 2004
United States	3	4	2	1
Hungary	20	264	0	119
Poland	234	0	0	20
Georgia	20	0	0	0
Russia	81	39	0	0
Total	358	307	2	140

Data Source: State Statistics Committee of Ukraine

Processed Beef Import Trade Matrix (HS 16025), MT

Exports to	2002	2003	Jan-Apr. 2003	Jan.-Apr. 2004
United States	0	0	0	0
Russian Federation	1266	641	330	0
Estonia	17	0	0	0
Others	0	0	0	0
Total	1283	641	330	0

Data Source: State Statistics Committee of Ukraine

Average Monthly Beef Retail Prices in Ukraine

Country	Ukraine		
Commodity	Meat, Beef and Veal		
Prices in	UAH	per uom	1 kilogram
Year	2003	2004	% Change
Jan	10,83	11,97	11%
Feb	10,69	12,37	16%
Mar	10,57	12,90	22%
Apr	10,50	13,45	28%
May	10,53	13,88	32%
Jun	10,51	14,76	40%
Jul	10,59		-100%
Aug	11,15		-100%
Sep	11,36		-100%
Oct	11,39		-100%
Nov	11,47		-100%
Dec	11,65		-100%
Exchange Rate	5,32	Local Currency/US $	
Date of Quote		MM/DD/YYYY	

Data Source: State Statistics Committee of Ukraine

Ukraine Swine PSD Table, 1000 Head

Country Ukraine
Commodity Animal Numbers, Swine

	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01.2003		01.2004		01.2005
TOTAL Beginning Stocks	9204	9204	7470	7470	7840	6000
Sow Beginning Stocks	633	633	555	530	0	430
Production (Pig Crop)	8800	7070	7770	5300	0	5200
Intra EC Imports	0	0	0	0	0	0
Total Imports	0	0	0	0	0	0
TOTAL Imports	0	0	0	0	0	0
TOTAL SUPPLY	18004	16274	15240	12770	7840	11200
Intra EC Exports	0	0	0	0	0	0
Total Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Sow Slaughter	0	0	0	0	0	0
OTHER SLAUGHTER	9534	7804	6500	5870	0	4050
Total Slaughter	9534	7804	6500	5870	0	4050
Loss	1000	1000	900	900	0	800
Ending Inventories	7470	7470	7840	6000	0	6350
TOTAL DISTRIBUTION	18004	16274	15240	12770	0	11200
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Ukraine Pork PSD Table, 1000 Head, 1000 CWE

Country Ukraine
Commodity Meat, Swine

	2003	Revised	2004	Estimate	2005	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01.2003		01.2004		01.2005
Slaughter (Reference)	9534	7804	6500	5870	0	4050
Beginning Stocks	22	22	22	22	10	22
Production	765	630	550	460	0	330
Intra EC Imports	0	0	0	0	0	0
Total Imports	7	10	8	30	0	30
TOTAL Imports	7	10	8	30	0	30
TOTAL SUPPLY	794	662	580	512	10	382
Intra EC Exports	0	0	0	0	0	0
Total Exports	12	12	8	12	0	12
TOTAL Exports	12	12	8	12	0	12
Human Dom. Consumption	760	628	562	478	0	348
Other Use, Losses	0	0	0	0	0	0
TOTAL Dom. Consumption	760	628	562	478	0	348
Ending Stocks	22	22	10	22	0	22
TOTAL DISTRIBUTION	794	662	580	512	0	382
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0

Ukraine, Pork Export Trade Matrix

Country Ukraine
Commodity Meat, Swine

Time Period Units: 1 MT

Exports for:	2003		2004*
U.S.		U.S.	
Others		Others	
Russian Federation	12330	Russian Federation	12000
Total for Others	12330		12000
Others not Listed	1		0
Grand Total	12331		12000

** Forecast*

Data Source: State Statistics Committee of Ukraine

Ukraine, Pork Import Trade Matrix

Country Ukraine
Commodity Meat, Swine
Time Period Units: 1 MT

Imports for:	2003		2004*
U.S.	519	U.S.	8000
Others		Others	
Austria	164	Austria	150
Belgium	140	Belgium	100
Denmark	79	Denmark	50
France	605	France	500
Germany	407	Germany	700
Hungary	140	Hungary	100
Netherlands	0	Netherlands	200
Poland	7549	Poland	20200
Total for Others	9084		22000
Others not Listed	0		0
Grand Total	9603		30000

** Forecast*

Data Source: State Statistics Committee of Ukraine

Average Monthly Pork Retail Prices

Country Ukraine
Commodity Meat, Swine
Prices in UAH per uom 1 kilogram

Year	2003	2004	% Change
Jan	13,08	14,44	10%
Feb	12,78	14,58	14%
Mar	12,65	14,88	18%
Apr	12,57	16,16	29%
May	12,56	17,06	36%
Jun	12,49	18,33	47%
Jul	12,82		-100%
Aug	14,27		-100%
Sep	14,84		-100%
Oct	14,91		-100%
Nov	14,84		-100%
Dec	14,78		-100%
Exchange Rate	5,32	Local Currency/US $	
Date of Quote		MM/DD/YYYY	